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LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5-24-06

CASCIO & SCHMIDT, LLC
Certified Public Accountants

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

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CASCIO & SCHMIDT, LLC

CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS J. CASCIO, CPA
STEVEN A. SCHMIDT, CPA

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA CERTIFIED
PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Louisiana Gene Therapy Research Consortium, Inc.

We have audited the accompanying statement of financial position of Louisiana Gene Therapy Research Consortium, Inc. (a non-profit corporation) as of June 30, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the Consortium's 2004 financial statements and, in our report dated December 27, 2004, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Gene Therapy Research Consortium, Inc. as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2006, on our consideration of Louisiana Gene Therapy Research Consortium, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Louisiana Gene Therapy Research Consortium, Inc. taken as a whole. The accompanying combined statement of activities and the statement of expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cascio & Schmidt, LLC.

Metairie, Louisiana
May 5, 2006

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2005

ASSETS		MEMORANDUM ONLY
	June 30, 2005	June 30, 2004
CURRENT ASSETS		
Cash (Note A4)	\$ 561,755	\$ 841,126
Receivables (Notes A5 and B)	1,093,597	831,388
Prepaid expenses	326	7,807
Total current assets	<u>1,655,678</u>	<u>1,680,321</u>
PROPERTY AND EQUIPMENT - at cost (Note A6)		
Lab scientific equipment	10,622,630	10,119,695
Office furniture and equipment	136,220	77,614
	<u>10,758,850</u>	<u>10,197,309</u>
Less accumulated depreciation	<u>(4,382,184)</u>	<u>(2,930,999)</u>
	6,376,666	7,266,310
Construction in progress (Note D)	1,908,644	1,901,553
	<u>8,285,310</u>	<u>9,167,863</u>
OTHER ASSETS		
Deposits	3,394	3,394
Total assets	<u>\$ 9,944,382</u>	<u>\$ 10,851,578</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 316,564	\$ 604,409
Current maturities of capital lease		1,077
Total current liabilities	<u>316,564</u>	<u>605,486</u>
COMMITMENT - (Note E)	-	-
NET ASSETS (Notes A2 and A3)		
Temporarily restricted	9,627,818	10,246,092
Total liabilities and net assets	<u>\$ 9,944,382</u>	<u>\$ 10,851,578</u>

The accompanying notes are an integral part of this statement.

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

			TOTAL MEMORANDUM ONLY	
	Unrestricted	Temporarily Restricted	2005	2004
REVENUE				
Grants (Note C)	\$ -	\$ 4,440,234	\$ 4,440,234	\$ 7,064,536
Interest income	-	10,900	10,900	8,016
Other income	664	-	664	204
Net assets released from restrictions	<u>5,069,408</u>	<u>(5,069,408)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u><u>5,070,072</u></u>	<u><u>(618,274)</u></u>	<u><u>4,451,798</u></u>	<u><u>7,072,756</u></u>
EXPENSES				
Salaries	464,604		464,604	370,404
Benefits and payroll taxes	119,335		119,335	105,254
Contract employment	-		-	47,284
Professional services	386,783		386,783	158,119
Facility expense	47,374		47,374	25,523
Equipment expense	1,589		1,589	2,089
Office expense	38,158		38,158	30,897
Marketing and PR expense	35,235		35,235	20,758
Travel	38,196		38,196	39,703
Business expense	61,739		61,739	20,563
Program expense	88,498		88,498	16,789
Research expense	2,337,376		2,337,376	1,982,319
Depreciation	<u>1,451,185</u>		<u>1,451,185</u>	<u>1,281,204</u>
Total expenses	<u><u>5,070,072</u></u>	<u><u>-</u></u>	<u><u>5,070,072</u></u>	<u><u>4,100,906</u></u>
INCREASE (DECREASE) IN NET ASSETS	-	(618,274)	(618,274)	2,971,850
Net assets, beginning of year	-	10,246,092	10,246,092	7,274,242
Net assets, end of year	<u><u>\$ -</u></u>	<u><u>\$ 9,627,818</u></u>	<u><u>\$ 9,627,818</u></u>	<u><u>\$ 10,246,092</u></u>

The accompanying notes are an integral part of this statement.

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2005

	<u>2005</u>	<u>Memorandum only 2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Grant revenue	\$ 3,668,136	\$ 3,228,072
Interest income	10,900	8,016
Other income	664	204
	<u>3,679,700</u>	<u>3,236,292</u>
Payments to employees, suppliers and research expenses	<u>(3,899,251)</u>	<u>(3,226,939)</u>
Net Cash Provided by(Used in) Operating	(219,551)	9,353
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(561,541)	(2,482,204)
Construction in progress	<u>(7,091)</u>	<u>(1,030,719)</u>
Net Cash Used in Investing Activities	(568,632)	(3,512,923)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital grants	509,889	3,510,968
Payments on long-term lease	<u>(1,077)</u>	<u>(2,667)</u>
Net Cash Provided by Financing Activities	508,812	3,508,301
Net Increase (Decrease) in Cash and Cash	<u>(279,371)</u>	<u>4,731</u>
Cash and Cash Equivalents at Beginning of Year	841,126	836,395
Cash and Cash Equivalents at End of Year	\$ <u><u>561,755</u></u>	\$ <u><u>841,126</u></u>

The accompanying notes are an integral part of this statement.

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2005

	<u>2005</u>	<u>Memorandum only 2004</u>
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ (618,274)	\$ 2,971,850
Adjustments to reconcile increase (decrease) in net assets provided by (used in) operating activities:		
Capital grant revenue	(509,889)	(3,510,968)
Depreciation	1,451,185	1,281,204
(Increase) decrease in operating assets:		
Accounts receivable	(262,209)	(330,814)
Prepaid expenses	7,481	(3,923)
(Decrease) in operating liabilities		
Accounts payable	(287,845)	(397,996)
Total adjustments	<u>398,723</u>	<u>(2,962,497)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ <u>(219,551)</u>	\$ <u>9,353</u>

The accompanying notes are an integral part of this statement.

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the Corporation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Nature of Activities

Louisiana Gene Therapy Research Consortium, Inc. was incorporated April 7, 1999, and began operations in the Fall of 2000. The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code.

The mission of the Louisiana Gene Therapy Research Consortium, Inc is to enable economic development throughout Louisiana based on human, agricultural, and veterinary genetics and gene therapy by strengthening basic research capacity, engaging citizens in lifelong learning activities, and expanding opportunities for stable, sustainable business growth.

The Consortium supports, leverages, and expands gene therapy research through the State of Louisiana by creating a critical mass of scientists, laboratories, and equipment at the health science centers, both public and private.

In carrying out its mission, the Consortium has the following five objectives:

- Enhance and expand gene therapy research throughout Louisiana.
- Facilitate economic growth through commercialization of gene therapy innovations emerging from research institutions and through collaborations with industry.
- Provide career development, job training, and life-long learning opportunities in gene therapy, genetics, and life sciences.
- Disseminate information about the ethical, legal, and social implications of gene therapy research and development.
- Increase national and international visibility for the state, its academic institutions, and its economic development efforts.

2. Financial Statement Presentation

The Corporation's financial statements are presented in accordance with the requirements established by the Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations." Accordingly, the net assets of the Corporation are reported in each of the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There were no permanently restricted net assets during the year ended June 30, 2005.

3. Revenue Recognition

For financial reporting, the Corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Grant revenue is recognized as it is earned in accordance with approved contracts.

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

4. Cash and Cash Equivalents

At June 30, 2005, the bank's recorded balance amounted to \$1,031,415, however, the Corporation's cash balance, after deducting outstanding checks, was \$561,755. The Corporation's agent pledges and holds securities in an amount sufficient to protect the Corporation's funds on a day to day basis.

For the purposes of the statement of cash flows, the Corporation considers all investments with original maturities of three months or less to be cash equivalents.

Generally accepted accounting principles require disclosure of fair value information about financial instruments for which it is practicable to estimate fair value, whether or not recognized in the statement of financial position. Cash and cash equivalents carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

5. Receivables

The corporation considers accounts receivable to be fully collectible since the balance consists of payments due under governmental grants. *If amounts due become uncollectible, they will be charged to operations when that determination is made.*

6. Property and Equipment

Louisiana Gene Therapy Research Consortium, Inc. follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$1,000. Depreciation is computed using the straight-line method over the useful lives of the assets, generally as follows:

Lab scientific equipment	7 years
Office and computer equipment	3 years
Furniture	7 years

Property and equipment acquired and construction in progress amounted to \$568,632 during the year ended June 30, 2005. Depreciation amounted to \$1,451,185.

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires *management to make estimates and assumptions that affect certain reported amounts and disclosures*. Accordingly, actual results could differ from those estimates.

8. Total Columns of Combined Statements - Overview

Total columns are captioned "Memorandum Only" to indicate that they are presented only to assist with financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

NOTE B - RECEIVABLES

	<u>2005</u>	<u>Memorandum Only 2004</u>
Receivables consist of the following:		
Grants		
Louisiana Department of Economic Development		
GMP Facility	\$ 926,686	\$ 523,423
Wirth Building Renovation	-	94,984
Louisiana Cancer Research Center	160,586	212,964
Other	<u>6,325</u>	<u>17</u>
	<u>\$ 1,093,597</u>	<u>\$ 831,388</u>

NOTE C - GRANT REVENUE

	<u>2005</u>	<u>Memorandum Only 2004</u>
Grant revenue consists of the following:		
Louisiana Board of Regents (Operating grant)	\$ 3,034,437	\$ 3,065,299
Louisiana Department of Economic Development		
GMP Facility		
Operating grant	895,908	523,423
Capital grant		
Construction	-	320,086
Wirth Building Renovation	6,954	710,633
Capital - Research equipment	<u>502,935</u>	<u>2,445,095</u>
	<u>\$ 4,440,234</u>	<u>\$ 7,064,536</u>

NOTE D - CONSTRUCTION IN PROGRESS

Louisianan Gene Therapy Research Consortium, Inc. (LGTRC) has entered into a Cooperative Endeavor Agreement with the Louisiana Department of Economic Development, Office of Business Development to fund, and with New Orleans BioInnovation Center, Inc., to provide oversight and management of the demolition and site development of the Wirth Building, 1441 Canal Street, New Orleans, and an additional Cooperative Endeavor Agreement to construct the GMP Facility at the same site.

	<u>2005</u>	<u>Prior</u>	<u>Total</u>
Construction in Progress consists of the following:			
GMP Facility	\$ 2,841	\$ 659,198	\$ 662,039
Wirth Building Renovations	<u>4,250</u>	<u>1,242,355</u>	<u>1,246,605</u>
	<u>\$ 7,091</u>	<u>\$ 1,901,553</u>	<u>\$ 1,908,644</u>

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2005

NOTE E - COMMITMENT

The Corporation leases its administrative office under an operating lease expiring December 31, 2006. The following is a schedule by years of minimum rental payments:

Year ending June 30, 2006	\$ 75,681
Period from July 1, 2006 to December 31, 2006	\$ 37,840

Louisiana Cancer Research Center of LSU Health Sciences Center in New Orleans/Tulane Health Sciences Center (Louisiana Cancer Research Center) shares the administrative office with Louisiana Gene Therapy Research Consortium, Inc. The total lease costs amounted to \$70,786, of which Louisiana Gene Therapy Research Consortium, Inc.'s share for the year ended June 30, 2005 amounted to \$46,972.

NOTE F - RETIREMENT PLANS

As of June 30, 2005, the Corporation maintained two contributory retirement plans for its eligible employees. The plans offer employees the choice of two investment company options, Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF). Participating employee and Corporate contributions are immediately vested. The Corporation contributed \$35,662 to the two plans. The employer contribution percentage remained unchanged from the prior year.

NOTE G - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board. Accordingly, no compensation was paid to any board member during the year ended June 30, 2005.

NOTE H - ECONOMIC DEPENDENCY

The Corporation received all of its revenue from funds provided through grants administered by the State of Louisiana during the year ended June 30, 2005. The grant amounts are appropriated periodically by the State of Louisiana. *If significant budget cuts are made at the State level, the amount of the funds the organization receives could be reduced significantly and have an adverse impact on its operations.* At the time of completion of the examination of the Corporation's financial statements, management was not aware of any actions taken that would adversely affect the amount of funds the organization will receive in the next fiscal year.

NOTE I - SUBSEQUENT EVENT

On August 29, 2005, hurricane Katrina struck the New Orleans metropolitan area. As a result, employees of Louisiana Gene Therapy Research Consortium, Inc. were displaced and operations were temporarily relocated to Baton Rouge, Louisiana, however, full operations have returned to the New Orleans office.

This event had a devastating effect on the city. The two partner universities, LSU Health Sciences Center and Tulane Health Sciences Center, which house much of the Louisiana Gene Therapy Research Consortium, Inc.'s equipment, experienced flood damage. Assessments are underway to determine the financial impact of the storm. Currently, we are not aware of any material uninsured damage or destruction to the assets of Louisiana Gene Therapy Research Consortium, Inc.

SUPPLEMENTAL INFORMATION

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

COMBINED STATEMENT OF ACTIVITIES

Year Ended June 30, 2005

	Central Administration	Program Research	GMF Facility	Wirth Building Renovations	Property and Equipment	Total
REVENUE						
Grants						
Operating Capital	\$ 523,041	\$ 2,511,396	\$ 895,908	\$ -	\$ -	\$ 3,930,345
Interest income	-	502,935	-	6,954	-	509,889
Other income	10,900	-	-	-	-	10,900
Total Revenue	<u>534,605</u>	<u>3,014,331</u>	<u>895,908</u>	<u>6,954</u>	<u>-</u>	<u>4,451,798</u>
EXPENSES						
Salaries	124,190	-	340,414	-	-	464,604
Benefits and payroll taxes	26,332	-	93,003	-	-	119,335
Professional services	55,478	-	331,305	-	-	386,783
Facility expense	8,396	-	38,978	-	-	47,374
Equipment expense	851	-	738	-	-	1,589
Office expense	25,884	-	12,274	-	-	38,158
Marketing	7,828	-	27,407	-	-	35,235
Travel	14,874	-	23,322	-	-	38,196
Business expense	33,272	-	28,467	-	-	61,739
Program expense	88,498	-	-	-	-	88,498
Research expense	-	2,337,376	-	-	-	2,337,376
Depreciation expense	-	-	-	-	1,451,185	1,451,185
Total expenses	<u>385,603</u>	<u>2,337,376</u>	<u>895,908</u>	<u>-</u>	<u>1,451,185</u>	<u>5,070,072</u>
Increase (decrease) in net assets	149,002	676,955	-	6,954	(1,451,185)	(618,274)
Property and equipment capitalized:						
Lab scientific equipment	-	(502,935)	-	-	502,935	-
Construction in progress	-	-	(2,841)	(4,250)	7,091	-
Office equipment	(58,606)	-	-	-	58,606	-
Transfers to/from operating grant	(1,871)	-	-	(2,704)	4,575	-
Net assets, beginning of year	<u>1,054,900</u>	<u>-</u>	<u>27,904</u>	<u>-</u>	<u>9,163,288</u>	<u>10,246,092</u>
Net assets, end of year	<u>\$ 1,143,425</u>	<u>\$ 174,020</u>	<u>\$ 25,063</u>	<u>\$ -</u>	<u>\$ 8,285,310</u>	<u>\$ 9,627,818</u>

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

STATEMENT OF EXPENSES

June 30, 2005

	<u>2005</u>	<u>Memorandum Only 2004</u>
Salaries	\$ <u>464,604</u>	\$ <u>370,404</u>
Benefits and payroll taxes		
Health insurance	32,733	27,282
Life and disability expenses	1,315	1,183
Retirement benefits	35,662	26,476
Payroll taxes	26,824	25,671
Parking	4,106	3,692
Dental insurance	1,322	991
Workers comp insurance	102	2,306
Payroll processing	2,107	530
Relocation expense	<u>15,164</u>	<u>17,123</u>
	<u>119,335</u>	<u>105,254</u>
Professional Services		
Legal	71,843	13,036
Accounting	43,450	17,873
Procurement	36,000	36,000
Recruitment	-	42,332
Consultants	<u>235,490</u>	<u>48,878</u>
	<u>386,783</u>	<u>158,119</u>
Facility expense		
Lease and utilities	46,972	24,555
Maintenance	128	576
Insurance, property	<u>274</u>	<u>392</u>
	<u>47,374</u>	<u>25,523</u>
Equipment expense		
Lease	-	270
Maintenance and repairs	791	1,512
Small item purchases	577	168
Storage/Delivery	27	63
Interest expense	<u>194</u>	<u>76</u>
	<u>1,589</u>	<u>2,089</u>
Office expense		
Office and computer supplies	14,110	12,632
Telephone and fax	15,125	6,618
Internet	2,032	1,169
Postage/Shipping	1,465	1,307
Printing	887	6,770
Administrative fees	677	1,410
Other	<u>3,862</u>	<u>991</u>
	<u>38,158</u>	<u>30,897</u>

LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

STATEMENT OF EXPENSES - Continued

June 30, 2005

	<u>2005</u>	Memorandum Only <u>2004</u>
Marketing and PR expense		
Materials	2,960	6,055
Sponsorships	7,200	-
Trade shows	24,292	14,618
Other	<u>783</u>	<u>85</u>
	<u>35,235</u>	<u>20,758</u>
Travel		
Mileage and parking	4,729	1,853
General travel	17,699	34,660
Conferences and conventions	15,567	-
Travel, other	<u>201</u>	<u>-</u>
	<u>38,196</u>	<u>36,513</u>
Business expenses		
General meetings/meals	9,935	9,437
Board meetings	1,116	1,217
Conferences and workshops	12,764	3,116
Staff development	120	-
Membership dues	7,652	888
Subscriptions/Publications	25,181	4,641
Insurance, business	4,593	3,373
Business expense, other	<u>378</u>	<u>1,081</u>
	<u>61,739</u>	<u>23,753</u>
Program expense		
Education	<u>88,498</u>	<u>64,073</u>
Research expense		
Personnel	963,417	975,600
Supplies	794,799	619,419
Other research expenses	<u>579,160</u>	<u>387,300</u>
	<u>2,337,376</u>	<u>1,982,319</u>
Depreciation expense	<u>1,451,185</u>	<u>1,281,204</u>
TOTAL EXPENSES	\$ <u>5,070,072</u>	\$ <u>4,100,906</u>

CASCIO & SCHMIDT, LLC

CERTIFIED PUBLIC ACCOUNTANTS

FRANCIS J. CASCIO, CPA
STEVEN A. SCHMIDT, CPA

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Directors
Louisiana Board of Gene Therapy Research Consortium, Inc.

We have audited the financial statements of Louisiana Gene Therapy Research Consortium, Inc. (a non-profit corporation) as of and for the year ended June 30, 2005, and have issued our report thereon dated May 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Louisiana Gene Therapy Research Consortium, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Louisiana Gene Therapy Research Consortium, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, Louisiana Legislative Auditor, funding agencies, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Cascio & Schmidt, LLC.

Metairie, Louisiana
May 5, 2006

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LOUISIANA GENE THERAPY RESEARCH CONSORTIUM, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2005

AUDIT FINDINGS

There were no prior year or current year audit findings.

QUESTIONED COSTS

There were no questioned costs.

MANAGEMENT LETTER

A management letter was not issued for the year ended June 30, 2005.